

# Governance in socio-economic pathways and its role for future adaptive capacity

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*Weak governance is one of the key obstacles for sustainable development. Undoubtedly, improvement of governance comes with a broad range of co-benefits including countries' abilities to respond to pressing global challenges such as climate change. However, beyond the qualitative acknowledgement of its importance, quantifications of future pathways of governance are still lacking. This study provides projections of future governance in line with the Shared Socio-economic Pathways (SSPs). We find that under a "rocky road" scenario, 30% of the global population would still live in countries characterized by weak governance in 2050, while under a "green road" scenario weak governance would almost be entirely overcome over the same time frame. Based on pathways for governance, we estimate the adaptive capacity of countries to climate change. Limits to adaptive capacity exist even under optimistic pathways beyond mid-century. Our findings underscore the importance of accounting for governance in assessments of climate change impacts.*

Future societies' resilience against global challenges such as climate change hinges upon successful implementation of policies, actions and development strategies<sup>1</sup>. Those actions need to be facilitated by the quality and efficiency of governance, which makes governance an essential ingredient for assessing countries future climate vulnerability and coping capacity<sup>2</sup>. More broadly, institutions and governance are key determinants of long-term stability and

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24 sustainable growth of nations<sup>3</sup>. Advancing human and economic development requires active and  
25 effective governance capable of making relevant policy addressing present day challenges and  
26 providing quality welfare and services<sup>4</sup>. This is also the focus of Sustainable Development Goal  
27 (SDG) 16 (*Peace, Justice and Strong Institutions*), which aims at promoting the rule of law;  
28 substantially reducing corruption, developing effective, accountable and transparent institutions  
29 and building of institutional capacity at all levels<sup>5</sup>. Likewise, strengthening institutions to achieve  
30 beneficial social outcomes is central to the fulfilment of other SDGs, such as ending poverty in all  
31 its forms everywhere (SDG 1), achieving gender equality (SDG 5) and reducing inequality within  
32 and among countries (SDG 10)<sup>5</sup>.

33  
34 With respect to countries' capacity to adapt to climate change, good governance and institutions  
35 have been identified as key conditions for the successful deployment of adaptation options<sup>2,6</sup>. The  
36 IPCC's Fifth Assessment Report (AR5) characterizes adaptation barriers (or constraints) as  
37 "factors that make it harder to plan and implement adaptation actions or that restrict options".  
38 Lack of institutional capacity is identified as the most pertinent constraint to adaptation across  
39 many sectors (e.g. water, urban areas, human health, human security) and in all world regions<sup>2</sup>.  
40 The numerous interventions that may enable or hinder adaptation – such as prioritizing policies,  
41 mobilizing resources, coordination of efforts, decision-making – are processes often contingent  
42 on the efficacy of institutional mechanisms<sup>2</sup>. A recent review of economic literature on adoption of  
43 environmental policy, for instance, finds a positive relationship between policy adoption and  
44 various indicators of institutional quality<sup>7</sup>. Inept governance can even hinder a country's ability to  
45 realize adaptation goals and targets set according to the country's level of vulnerability<sup>8</sup>.  
46 Countries with better governance are also found to be more likely to receive adaptation aid from  
47 donors since it is assumed that adaptation funding will be used more effectively<sup>9</sup>.

48 In particular, the level of corruption within institutions, which is one of the main determinants of  
49 the quality of governance, is highly relevant for climate change adaptation<sup>10,11</sup>. In a country with  
50 weak governance, investments in adaptation measures can potentially pose corruption risks<sup>12</sup>.

51 There is evidence that the level of corruption such as bribery and misuse of resources can be  
52 more severe in post-disaster operations as compared to the pre-disaster<sup>12</sup>. Corruption weakens  
53 institutions, damages public trust and the strength of social contract, diverts funds from budgets  
54 and investments, interferes with the flow of development aid and hinders human capital  
55 formation<sup>13,14</sup>. Improving governance and strengthening anti-corruption measures thus is critical  
56 for implementation of adaptation actions.

57 Understanding current and future evolution of governance is necessary for assessments of  
58 adaptive capacity and thereby the impacts of future climate change. Insights into the temporal  
59 evolution of adaptive capacity can also indicate the existence of limits to adaptation at a given  
60 point in time. Quantification of adaptive capacity also has practical application in climate impact  
61 models. Understanding governance outlook hence can reveal future challenges in climate change  
62 adaptation.

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## 65 Governance in the Shared Socio-economic Pathways

66

67 To operationalize and facilitate future climate impact assessments, the Shared-Socioeconomic  
68 Pathways (SSP) scenarios have been developed. The pathways are categorized along the  
69 assessed challenges to climate mitigation and adaptation. The five qualitative storylines describe  
70 different characteristics of and interactions between natural resources, economy, demography,  
71 lifestyle, human development, technology and institutions<sup>15</sup>. The SSPs provide a framework to  
72 assess a wide range of possible futures and societal changes both between and within countries,  
73 and the extent to which these conditions create challenges to mitigation and adaptation to climate  
74 change. Some adaptation-relevant dimensions including population and education<sup>16</sup>,  
75 urbanization<sup>17</sup> and income<sup>18–20</sup> human development<sup>21</sup> and inequality<sup>22</sup> have already been quantified  
76 in the SSP framework. A quantification of the SSPs in terms of future governance trajectories,  
77 however, has not yet been realized.

79 The departure point for the quantification of an indicator of governance along the five SSPs is the  
80 qualitative description in the scenarios' narratives<sup>15</sup>, captured by the characterization of  
81 institutions and their effectiveness as outlined in Table 1. SSP1 is the "green road" scenario,  
82 which envisages a rapid shift to sustainable development, increases in education and health  
83 investments, declining inequality both within and between countries, and de-emphasis on  
84 economic growth and reduction of resource intensity in favor of improving environmental  
85 conditions. Institutions are expected to become increasingly effective and international  
86 cooperation becomes persistent. Such features make the SSP1 world characterized by low  
87 challenges to both climate mitigation and adaptation as a result of inclusive economic growth and  
88 sustainable welfare. The "middle of the road" scenario SSP2 is characterized by uneven and  
89 sluggish economic growth and development with slower progress towards achieving the SDGs.  
90 SSP2 does not differ substantially from the present-day trends. SSP2 is largely consistent with  
91 historical dynamics, but it takes into account dynamic relationships among socioeconomic  
92 determinants and convergence between countries. Institutions in SSP2 are modestly effective and  
93 uneven. SSP3, also termed the "rocky road" scenario, expects regional and global conflicts to  
94 result from international fragmentation and inter-country rivalry. Countries are preoccupied with  
95 national goals, which weakens international cooperation. Governance in SSP3 is rather ineffective  
96 and support for international and development institutions is reduced. "A road divided" or SSP4  
97 presents low challenges to mitigation thanks to global technological advancement but high  
98 challenges to adaptation due to the unequal distribution of resources both within and across  
99 countries. Governance is assumed to be stronger in high-income regions whilst in low-income  
100 regions, basic human development is neglected and policy implementation is likely to be  
101 unsuccessful due to weak governance. Higher inequalities result in weak representation of the  
102 vulnerable groups and persistence of low levels of development. The SSP3 and SSP4 scenarios  
103 present the highest challenges to adaptation, caused by the combination of slow development,  
104 low education, high inequality and weak institutions. Finally, SSP5 is characterized by  
105 development driven by fossil fuel-intensive economies which enable countries to become richer

106 and more equitable at the price of substantial environmental degradation. Similar to SSP1, the  
 107 SSP5 scenario also assumes improved institutions and rapid human development, particularly for  
 108 the currently disadvantaged populations. However, unlike in SSP1, the nature of the underlying  
 109 growth in SSP5 relies heavily on fossil fuel use and results in high challenges to climate change  
 110 mitigation<sup>15</sup>.

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	SSP1	SSP2	SSP3	SSP4	SSP5
<b>Governance</b>	Effective	Modestly effective	Ineffective	Unequal within countries	Increasingly effective
<b>Income</b>	High	Medium	Very unequal between countries	Very unequal within and between countries	High
<b>Higher education</b>	High	Medium	Low	Unequal	High
<b>Gender equality education</b>	High	Medium	Low	Unequal within regions	High

112 *Table 1: Overview of representation of governance and its correlates in the five SSP scenarios.*

113

114 **Future pathways of governance**

115 In order to quantify and project governance trajectories along the SSPs scenarios, we rely on  
 116 theoretical insights on the determinants of good governance for an empirical specification.  
 117 Subsequently, an econometric model is employed to establish a relationship between governance  
 118 and countries' socio-economic indicators of which projections along the five SSP scenarios are  
 119 already available. Future projections of governance evolution within the SSP framework are then  
 120 derived and can be used to evaluate the challenges to adaptation together with an internally  
 121 consistent set of socioeconomic variables in the SSPs.

122

123 Given its breath and depth, governance (a dependent variable in our econometric model) and its  
 124 dimensions can be conceptualized in many ways. Here we use the well-established Worldwide  
 125 Governance Indicators (WGI) that provide a composite index for governance with six sub-  
 126 categories: voice and accountability, political stability, government effectiveness, regulatory

127 quality, rule of law and control of corruption. The indicators presented in this database aggregate  
128 perceptions of governance of a large number of enterprise, citizen and expert survey respondents  
129 from 31 different data sources provided by 25 different organizations, and provide a broad  
130 country coverage<sup>23</sup>. The strength of the WGI in capturing an inherently complex concept lays in  
131 its many different data sources that summarize information on the various dimensions of  
132 governance, and through averaging the data on the country level control for the possible  
133 idiosyncrasies between sources<sup>24</sup>.

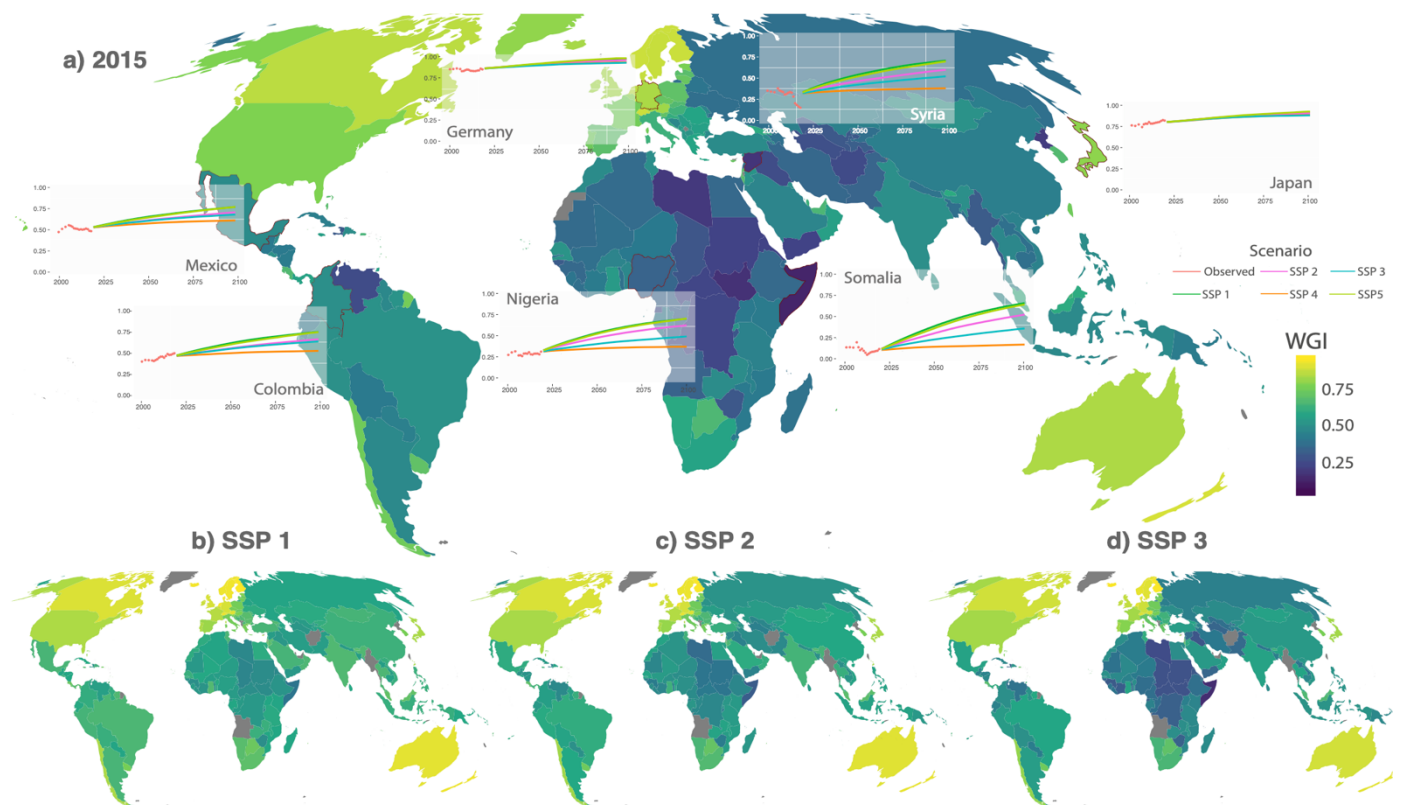
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135 The choice of the determinants of good governance (our explanatory variables) is based on  
136 modernization theory which posits that economic and educational development are central  
137 determinants of improvements in the rule of law<sup>25,26</sup>. There is, in addition, ample empirical  
138 evidence of a causal relationship between female representation in government and reduced  
139 levels of corruption<sup>27</sup>, as well as a strong connection between gender empowerment and  
140 democracy<sup>4</sup>. Within the SSP framework, economic as well as education trajectories are readily  
141 available<sup>18,16</sup>. For gender equality, we use the difference in mean years of schooling between men  
142 and women a proxy variable. This measure of gender equality arguably represents only one  
143 dimension of it, but gender gaps in education can be credibly taken as indicative of more  
144 widespread gender inequality issues in a society.

145

146 The model (see Methods) is estimated using a panel data for 173 countries for the time period  
147 from 1995 to 2015. Although governance indicators at the subnational level are available for a few  
148 countries, the most granular SSP projections with global coverage for other socioeconomic  
149 variables are only available at the country level, which also defines our unit of cross-sectional  
150 variation.

151



**Figure 1: Evolution of governance over the 21st century**

The 2015 values of the normalized composite world governance indicator (WGI) in 2015 are shown in **a**, overlaid with the scenario dependent evolution of governance for selected countries over the 21st century. The governance indicator is normalized to a range from 0 to 1, with higher values indicating better governance. The global distribution of future governance in 2050 is depicted for different SSPs ranging from a 'sustainable future' (SSP1, **b**) to a 'middle of the road' scenario (SSP2, **c**) and a 'rocky road' scenario characterized by unequal development and regional rivalry (SSP3, **d**).

152

153 Our econometric analysis shows that the aggregate governance indicator from the WGI  
 154 database<sup>23</sup> can be well predicted using GDP per capita, the share of population with higher  
 155 education and the gender gap in mean years of schooling (see Table 1 in Supplementary  
 156 Information). The estimated elasticities linking the variables in the specification to changes in  
 157 governance indicators appear robust to changes in the modelling strategy. The estimates  
 158 obtained from the model are then combined with the available country-level indicators of socio-  
 159 economic performance within the SSP framework to calculate projections of the governance  
 160 indicators over the 21<sup>st</sup> century.

161

162 In line with the SSP narratives, future projections of governance show distinct differences  
 163 between the scenarios (Figure 1). For developed countries such as Germany or Japan, whether  
 164 the country follows the most or the least progressive scenario makes only a minor difference for

the dynamics of the projected governance indicator since their score remains very high in all scenarios. For less well-off countries, however, the path of the socio-economic development is decisive for how governance is expected to evolve (Figure 1 b,c,d): for countries like Somalia or Nigeria, the difference between following the SSP1 (“green road”) and SSP3 (“rocky road”) could result in anything from stagnation to trifold improvement.

Under the SSP3 scenario, little improvement in governance is projected globally over the 21<sup>st</sup> century. In contrast, substantial progress already by mid-century is evident under the SSP1 scenario which envisages a sustainable future. Similarities between SSP1 and SSP5 arise as a result of the almost identical representation of governance in the original storylines, which is reproduced in our projections. Although the development narrative and resulting climate mitigation challenges in SSP1 and SSP5 differ fundamentally, their socio-economic development trajectories are remarkably similar. SSP4 on the other hand, yields results that are in between SSP2 and SSP3. Because of these similarities, in two of the figures we report results for only for SSP1, SSP2 and SSP3.

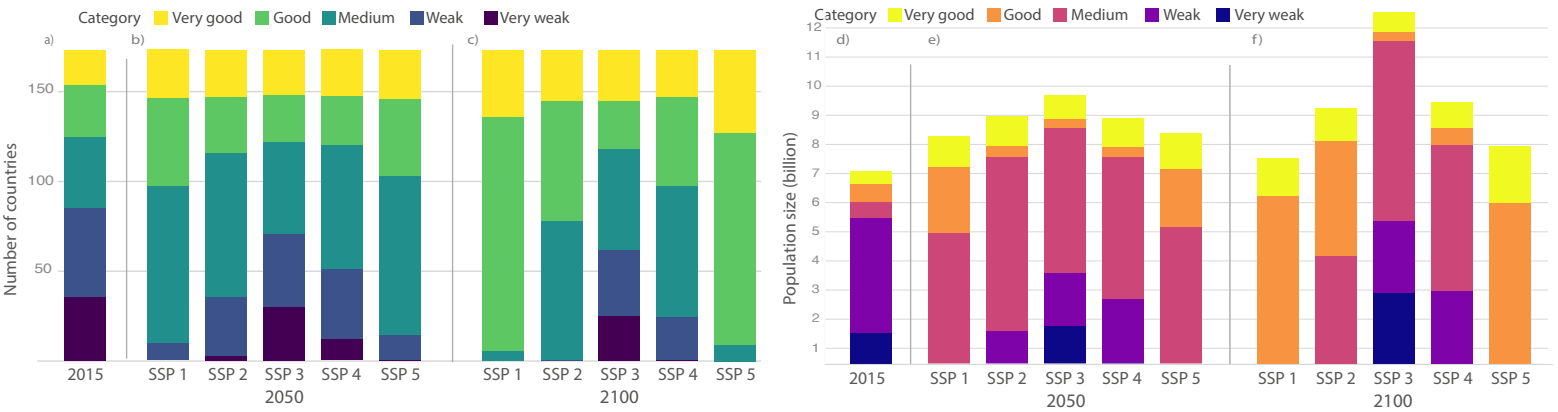


Figure 2: Country groups and population-weighted projections

a-c, The number of countries per SSP in different governance categories for 2015, 2050 and 2100, respectively. The governance indicator is normalized with 0 indicating very low levels of governance across all indicators and 1 indicating very high levels. For illustration purposes, we introduce the following percentile-based categorization based on the 2015 governance scores : very good (>90 percentile), good (75 - 90), medium (50 - 74), weak (25 - 49), very weak (<25 percentile). d-f, Estimated population living in countries with different governance levels for 2015, 2050 and 2100. Total population size differ as a result of the diverging projections of future population under different SSPs.



183 There is no rule of thumb for which levels of this indicator represent ‘good’ governance. In fact,  
184 any such categorization arguably also includes value judgement. For the sake of illustrating the  
185 changes over the 21<sup>st</sup> century, however, we introduce percentile categories based on the 2015  
186 distribution of the governance scores (see Figure 2). A clear scenario dependence for projected  
187 governance is apparent at a country level (Figure 2a-c). The differences are even more striking  
188 when we consider the implications for future populations in countries with different governance  
189 regimes (Figure 2d-f). Many countries whose populations are projected to grow substantially are  
190 expected to undergo transition and improve their governance over the coming decades, i.e. from  
191 “weak” to “medium”, or further. Under the rapid development scenarios such as SSP1 and SSP5,  
192 this implies that only a small number of countries will be characterized by very weak or weak  
193 governance (defined as the state of a country below the median of the governance indicator  
194 today) and almost all countries may reach states of good governance by the end of the century. In  
195 contrast, countries that are home to around 3 (5) billion people in 2050 (2100), will continue to be  
196 characterized by weak governance under the SSP3 scenario (Figure 2). Even under a middle-of-  
197 the-road SSP2 scenario, about 1.5 billion people will be living in about 40 countries characterized  
198 by weak governance by mid-century.

199

200 The projection exercise combines short to medium-term dynamic adjustments based on the  
201 estimated relationships (and thus extrapolated using the correlation structures found in historical  
202 data) with assumption-driven long term developments that ensure the internal consistency of the  
203 trajectories with respect to the SSP narratives. Throughout the paper we report results solely for  
204 the aggregate governance indicator. However, the projections of the individual dimensions of the  
205 indicator can also be used if found to be particularly relevant for the socio-economic issue or a  
206 policy objective in focus. Based on our compositional analysis of the governance indicator,  
207 adjusted estimates of the effects of socioeconomic developments on particular components of  
208 the governance indicator are calculated to provide projections of specific subcomponents such  
209 as corruption or governance effectiveness (see Methods and Supplementary Information). This

210 makes our results applicable to a wide range of issues under consideration in policy agendas  
211 related to sustainable development and climate actions.

212

213 It is important to highlight that our approach does not imply a direction of causal linkages.  
214 Improvements in governance in the context of sustainable development can lead to a virtuous  
215 cycle between governance and development, rather than showing a cause-and-effect  
216 relationship<sup>28</sup>. Since the focus of our model is not to unveil the causal effects, but rather to  
217 consistently extend the SSPs, such potential mutually re-enforcing dynamics only further  
218 underscore the need for an integration of governance into the SSP framework.

219

## 220 Importance of near-term improvements in governance

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222 In a world with near-term sustainable development targets and ongoing climate change, the  
223 temporal evolution of our governance indicators is of particular interest. We find that countries  
224 characterized by very weak governance, albeit starting from a low level, have an up to five times

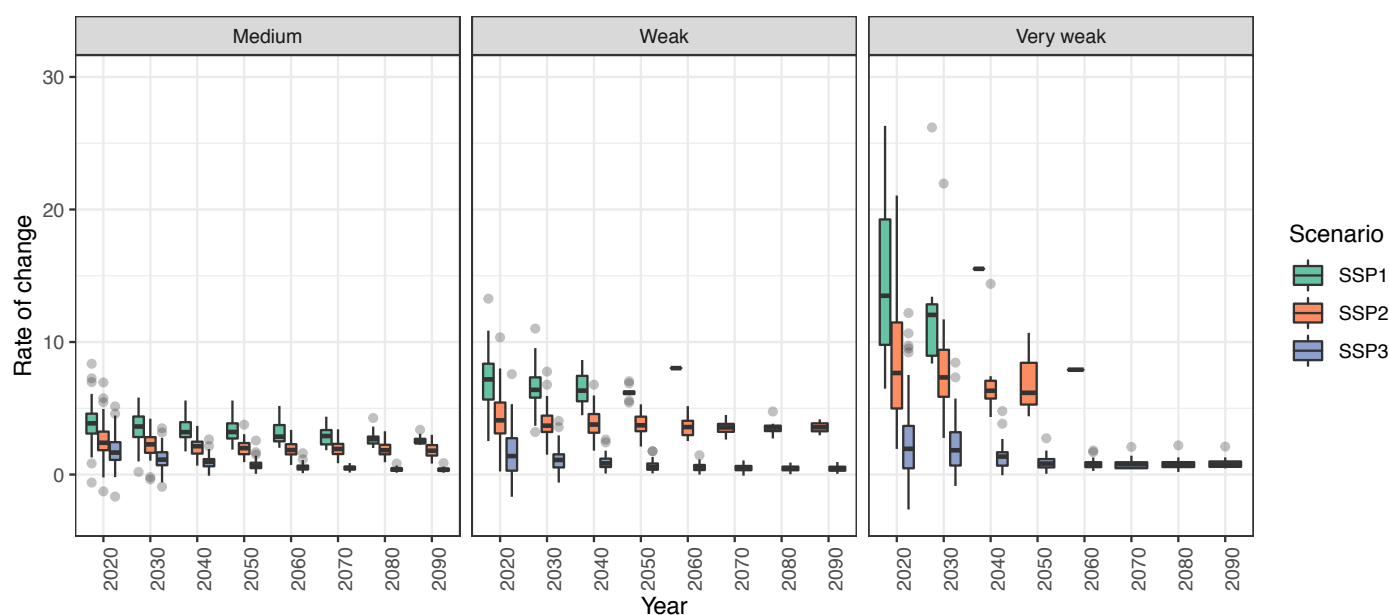


Figure 3: **Rates of change of governance**

Box-Whisker diagram of the five-year rates of change in governance for different SSPs over the 21<sup>st</sup> century. The lower and upper hinges correspond to the first and third quartiles (the 25th and 75th percentiles). The upper whisker extends from the hinge to the highest value that is within 1.5 \* interquartile range of the hinge. Data beyond the end of the whiskers are outliers and plotted as points. Panels separate out the evolution for country groupings classified by their state of governance (time-dependent). For SSP 1, no countries will be in the 'very weak' category after 2030 (2050) following high rates of improvement in governance in the preceding decades. SSP 4 and 5 are omitted from the figure for clarity.

225

226 higher rate of improvement in scenarios of rapid socio-economic development under SSP1 and  
 227 SSP5 compared to SSP3. The absolute values for countries in the 'medium' category is  
 228 considerably smaller, although differences between the scenarios are still evident (up to a factor  
 229 of four between SSP1 and SSP3). Over time, countries move out of the lower categories, and their  
 230 rates of change reduce as they improve governance. Our analysis suggests a window of  
 231 opportunity to eradicate lowest levels of governance in the near term. This highlights the  
 232 importance of achieving the goals under the 2030 Agenda for Sustainable Development to  
 233 facilitate long-term sustainable development, particularly for the countries characterized by the  
 234 lowest levels of development to date.

235

236 **Governance and adaptation to climate change**

237

238 Adaptation is multi-faceted and sector-dependent. As both the integral part of sustainable  
239 development and a stand-alone mechanism in coping with climate change, adaptive capacity is  
240 difficult to measure because of the volatile nature of its many determinants. Successful adaptation  
241 will depend in part on the timescales of improvement of socio-economic factors many of which  
242 are now available in the SSP framework. The existing projections including that of governance  
243 can subsequently be used for designing an overarching framework to evaluate more granular and  
244 sector-specific measurements of adaptive capacity.

245

246 Across all scales, however, a key determinant is the ability to effectively leverage private and  
247 public sector investment for adaptation actions. This is coined “adaptation readiness” in the Notre  
248 Dame Global Adaptation Index (ND-GAIN)<sup>29</sup>, a summary indicator of countries’ vulnerability to  
249 climate change. The concept of adaptation readiness can also be seen as an indication for  
250 countries’ absorptive capacities of international climate finance channeled, for instance, through  
251 the Green Climate Fund<sup>30</sup>. If the readiness is low, successful adaptation financing and  
252 implementation is questionable. Governance is indeed a key ingredient in the ND-GAIN readiness  
253 score. Given the high correlation of the readiness score with our governance indicator (0.93,  $p =$   
254 0.000), our projections thereby allow us to deduce the future trajectories of the ND-GAIN  
255 readiness score in line with the different SSP scenarios.

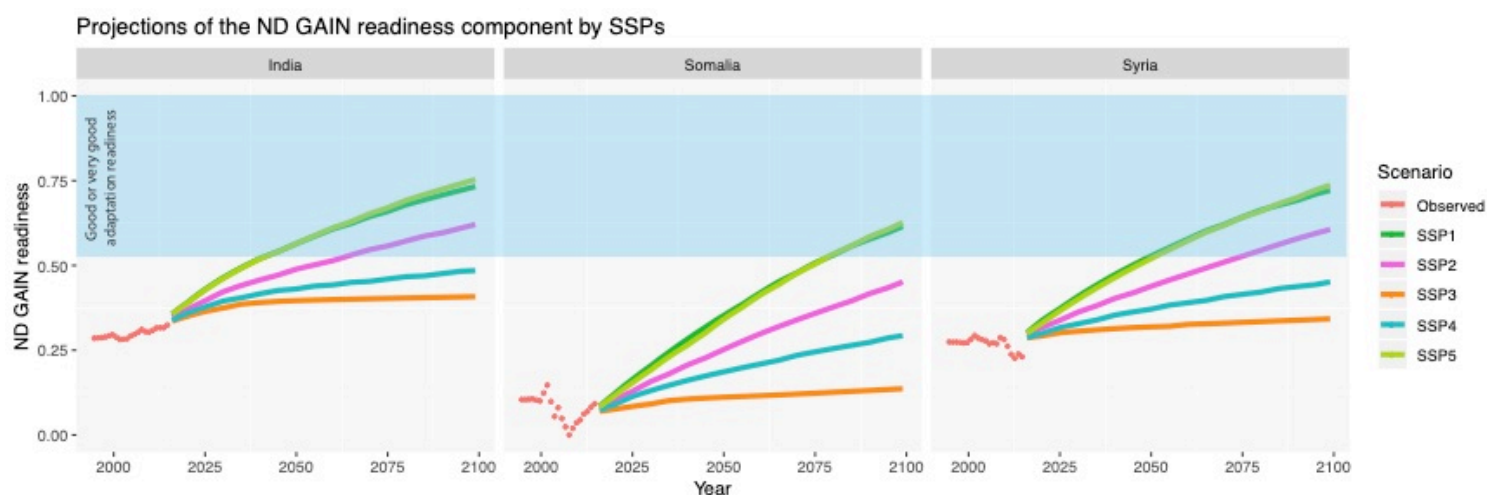


Figure 4: **Projections of the ND GAIN Adaptation Readiness score.** Trajectories for India, Somalia and Syria are shown for different SSPs. The projections of the Adaptation Readiness score are based on our projections of future governance. The shaded region marks the range of the readiness indicator for categories ‘good’ and ‘very good’ in 2015 (0.52-0.80). For global projections see Figures S6 and S7.

256

257 The range of adaptation readiness spanned by the member states of the Organization for  
 258 Economic Cooperation and Development (OECD) today match well with our ‘good’ and ‘very  
 259 good’ categories. Most developing countries, however, will barely, if at all, reach levels of ‘good’  
 260 adaptation readiness by mid-century, even under the optimistic scenarios SSP1 and SSP5 (Figure  
 261 4). Under SSP3 and SSP4, little to no improvement in adaptation readiness is apparent, with an  
 262 ever increasing number of people living in countries with low adaptive capacity (see Figures 6 and  
 263 7 in Supplementary Information). Our results are fully in line with the qualitative classification of  
 264 adaptation challenges in the SSP scenarios: low challenges in SSP1 and SSP5; and high  
 265 challenges in SSP 3 and SSP4<sup>15</sup>. However, we also show that ‘low challenges’ are not equivalent  
 266 to ‘no challenges’. Even under SSP 1, adaptive capacity will only increase gradually over the next  
 267 decades while an adaptation deficit to present day climate is already apparent<sup>31</sup>. To that end, our  
 268 results also illustrate what could be considered an ‘upper limit’ of the future evolution of adaptive  
 269 capacity.

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272 Timescales of governance and climate change

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274 The recent IPCC Special Report on Global Warming of 1.5°C<sup>1</sup> has underscored the substantial  
275 differences in climate impacts between 1.5°C and 2°C that could materialize already before mid-  
276 century. Tropical regions will be bearing the brunt of these differences<sup>32–34</sup> and will also be the  
277 regions where the anthropogenic climate change is emerging the fastest against the background  
278 of natural variability<sup>35</sup>. Thereby, while vulnerable countries will be striving for sustainable  
279 development and improving their adaptive capacity, climate impacts will continue to intensify. Our  
280 results show that even under scenarios of rapid and sustainable development (SSP1 and SSP5),  
281 improvements of adaptive capacity will take on average at least three decades. This indicates that  
282 (temporal) limits to improvements in adaptive capacity may persist during the 21<sup>st</sup> century leading  
283 to elevated risks and impacts of climate change in countries with low socio-economic  
284 development. Climate impacts that exceed the limits to adaptation will result in climate-related  
285 loss and damage<sup>36–38</sup>. Given that negative climate impacts can hamper countries' abilities to  
286 achieve sustainable development, and thereby improving adaptive capacity, our results indicate  
287 that adequate responses and support schemes for loss and damage will be crucial policy  
288 instruments to support vulnerable countries<sup>39</sup>.

289  
290 Country-level representation of governance does have several limitations. The methodological  
291 framework used for the projection exercise presented in this study can be complemented with  
292 methods to downscale global assumptions and estimates. Scenario narratives and local  
293 interpretations of the SSPs can be derived from qualitative methods. The analytical methods  
294 employed to provide inference on the drivers of institutional change rely on the assumption of a  
295 common response of the governance indicators to their determinants across countries.  
296 Combining the advantages of a global analytical model of governance dynamics such as the one  
297 presented here with those of a narrative based on a qualitative context-specific assessment of  
298 future governance changes can improve the quality of our projections further. Such an extension  
299 of our analysis appears particularly important for countries for which the existing data are missing  
300 or not reliable, as well as for countries where disruptive changes in the current institutional setting  
301 are likely in the future. To address the issue of internal inequalities and sub-national specificities,

302 we here have to rely on our indicator's multiple sources and dimensions. An analysis  
303 incorporating sub-national information is a promising research avenue. Further unobserved  
304 differences between countries are controlled for in our model by using country-specific fixed  
305 effects, and global trends by yearly fixed effects.

306

307 The SSP narrative framework by design does not incorporate feedbacks of climate impacts. This  
308 is important to keep in mind, particularly in the context of high warming scenarios or in scenarios  
309 with persistently low levels of development in some regions of the world. Even under the SSP3  
310 scenario, no country is projected to see a decline in socio-economic development. This 'scenario  
311 optimism' can stand in stark contrast to the observed dynamics, where in reality some countries  
312 such as Syria have experienced rapid decline in stability over the past recent years (Figure 1a).  
313 The dynamics behind such deteriorations are difficult to incorporate in deterministic modelling  
314 approaches underlying the SSPs, which represents a limitation of scenario frameworks in general.  
315 While conflicts are context-dependent and not deterministic, some key determinants of conflict  
316 risks can be linked to the SSP pathways and indicate increasing globally increasing conflict risks  
317 for SSP3 and SSP4 centered in Central and South Asia as well as Africa<sup>40</sup>. Considering such risks  
318 would lead to considerably higher probabilities for a deterioration of governance under those  
319 scenarios, thereby painting a more accurate, but even bleaker picture compared to the  
320 sustainable development scenarios.

321

322 Uncertainties related to trajectories of future vulnerability have been found to dominate climate  
323 impacts in the near term<sup>41</sup>, but will also shape the end-of-century climate impacts<sup>42</sup>. Climate-  
324 related natural disasters displace millions<sup>43</sup> already today, cause multi-billion dollar damages<sup>44</sup>  
325 and may even contribute to increased risks of armed conflict outbreaks<sup>45</sup> and exacerbate forced  
326 migration<sup>46</sup>. Projections of future economic impacts of climate change indicate non-linear  
327 increases in damages, which are most pronounced for tropical countries<sup>47</sup>. Thereby, integrating  
328 climate change impacts into SSP trajectories would affect the global trajectories of socio-  
329 economic development, in particular for high emission scenarios. To do so, however, requires an

330 improved understanding of the prospects of future adaptation. The projections of governance and  
331 adaptive capacity provided here contribute to closing this gap. Our study thus presents a step  
332 forward towards a more integrated scenario perspective to inform global policies aimed at  
333 achieving sustainable development.

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## 453    **Methods**

454

### 455    Data

456

457    We use the Worldwide Governance Indicators (WGI) database, that provides a composite governance index  
458    based six categories: voice and accountability, political stability, government effectiveness, regulatory  
459    quality, rule of law and control of corruption. After standardizing the indicator from its original -2.5 to 2.5  
460    range to the range from 0 to 1, our main response variable was the arithmetic average of the six  
461    components, referred to as the governance indicator throughout the paper. Historical GDP per capita is  
462    taken from the Penn World Table 7.0<sup>1</sup> and SSP projections from Crespo Cuaresma<sup>2</sup>. Measures of education  
463    (share of population with post-secondary education) and gender equality in education (difference in mean  
464    years of schooling between men and women) come from the Wittgenstein Centre for Demography and  
465    Global Human Capital<sup>3</sup>.

466

### 467    Model

468

469    The estimation of the effects of the covariates mentioned above on the governance indicator was carried  
470    out using a yearly country-level panel data spanning the period between 1995 and 2015. Our main  
471    specification is as follows:

472

$$473 \quad governance_{i,t} = \beta_1 \ln(GDPpc)_{i,t} + \beta_2 education_{i,t} + \beta_3 gendergap_{i,t} + \alpha_i + \gamma_t + \varepsilon_{i,t} \quad (1)$$

474

475    where  $\alpha_i$  controls for time-invariant country-specific characteristics, and  $\gamma_t$  accounts for common shocks in  
476    the sample in the form of year-fixed effects. Including fixed effects allows for the presence of omitted  
477    factors and long term trends that might affect both sides of the equation, therefore eliminating bias that  
478    might arise from cross-sectional analyses. We provide additional specifications in the Supplementary  
479    Information (Table 1), and show that our results are robust for within and between-country regressions  
480    underscoring the robustness of our findings also in the light of cross-national differences.

481

482 We project the data forward to the year 2100 by using the coefficient estimates of the model given by  
483 equation (1) and imposing them over the internally consistent projections of GDP, education and gender  
484 gap in education which is given by the set of existing SSP projections. To remain consistent with the  
485 narratives, we account for the unobserved characteristics captured by the country fixed effects, which go  
486 beyond what can be explained with changes in governance and are likely to capture further intangible  
487 characteristics such as culture, by assuming that they will change over the long course of the projection  
488 period. In other words, we calculate rates of convergence between countries in line with the narratives  
489 which assume different degrees of reduction of inequality in various socio-economic characteristics: in SSP  
490 1, all countries converge in 2130 to the 75<sup>th</sup> percentile of the present-day distribution, for SSP2 in 2250,  
491 SSP3 assumes no convergence at all, for SSP4 in 2250, and SSP5 in 2180.

492

493 Compositional analysis

494

495 The composite nature of our dependent variable (voice and accountability, political stability, government  
496 effectiveness, regulatory quality, rule of law, control of corruption) allows for the investigation of whether  
497 some of the dimensions stand out in their relationship with the covariates. We treated our governance  
498 variable with an isometric-log transformation<sup>4</sup>, and subsequently regressed it against our covariates. This  
499 process yields weights within each covariate that relate to each of the dimensions of the governance index,  
500 thereby disentangling the extent to which each of the covariates relates to the components of the  
501 governance indicator.

502

503 In our analysis of the composite Worldwide Governance Index (comprising six dimension of governance),  
504 we find a distinct relationship between post-secondary education and two dimensions of the dependent  
505 variable: control of corruption and government effectiveness (see Figure 1 in Supplementary Material). This  
506 effect is not surprising and presents additional evidence concerning the importance of education (post-  
507 secondary education) for better institutions and demand for eradication of corruption<sup>5</sup>. Based on this  
508 finding, we separately project indicators of corruption and government effectiveness, thereby capturing the  
509 effect of different rate of change of educational expansion across the scenarios (see Figures 2-5 in  
510 Supplementary Information).

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**Acknowledgements** The authors express their gratitude to the scientific community for developing the SSP scenarios and to the International Institute for Advanced System Analysis (IIASA) for hosting the SSP database. MA and CFS acknowledge support by the German Federal Ministry of Education and Research (01LN1711A).

**Author contributions** The research was designed by MA, JCC and CFS. MA performed the analysis and created the display items. All authors contributed to the writing of the manuscript.

**Competing interests** The authors declare no competing interests.

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**Code availability:** Code underlying the results is available at <https://github.com/marina-andrijevic/governance2019>

**Data availability:** Governance data is available on the Worldwide Governance Indicators website (<https://info.worldbank.org/governance/wgi/#home>) . Historical GDP was obtained from the Penn World Tables 7.0 (<https://www.rug.nl/ggdc/productivity/pwt/pwt-releases/pwt-7.0>) and projected values through the IIASA SSP database (<https://tntcat.iiasa.ac.at/SspDb/>). Data on educational attainment and gender equality in education is accessible through the Data Explorer of the Wittgenstein Centre for Demography and Global Human Capital (<http://dataexplorer.wittgensteincentre.org/wcde-v2/>).

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